



City of Minneapolis
2012-2016 Recommended
Five-Year Financial Direction

Presented September 20, 2010
Prepared by
the Finance Department



2012-2016 Recommended Five-Year Financial Direction

Agenda

1. Introduction
2. Property taxes
3. Other major assumptions
4. Department budgets
5. Major future pressures
6. Internal Service Funds
7. Pension obligations
8. Other considerations





2012-2016 Recommended Five-Year Financial Direction
Introduction

Structure of the Financial Direction

General Fund:

- Revenue & Expense information
- 2011 Budget Recommendations

Five-Year Financial Direction:

- Property Tax
- Major Obligations
- Assumptions
- Financial Schedules
- Ten-Year Projection



2012-2016 Recommended Five-Year Financial Direction
Introduction

Importance of the Five-Year Direction

- Provides guide for decisions
- Reflects long-term impact
- Considered best financial management practice
- Provides guidance to departments
- Establishes financial parameters



2012-2016 Recommended Five-Year Financial Direction
Property Tax

Major Assumptions

Property tax policy increases:

2011	2012	2013	2014	2015	2016
6.5%	6.7%	6.5%	6.5%	6.0%	5.5%



2012-2016 Recommended Five-Year Financial Direction
Property Tax

What does the Mayor's recommended tax policy support?

2011 Property Tax Levy Change: \$17.4 Million		
<i>(Why are my taxes going up?)</i>		
	\$ Change*	% of Change
Increased Pension Obligations	\$ 17.7	101.8%
All Other Obligations	\$ (0.3)	-1.8%
Total of Tax Revenue Changes	\$ 17.4	100.0%

*Dollars shown in Millions.



2012-2016 Recommended Five-Year Financial Direction
Property Tax

Levy limits

- Adopted by the legislature May 2008
- Limits in place 2009-2011
- Limits base property tax increases for general levy to 1.7% in 2011
- Minneapolis receives 2.1% including other formula adjustments
- Special levies are exempt



2012-2016 Recommended Five-Year Financial Direction
Property Tax

Existing Special Levies used by City

- Debt Service levy
- Pension levies
- Library Referendum levy
- Public Housing Authority
- Aid & Credit Reductions



2012-2016 Recommended Five-Year Financial Direction
Property Tax

Long-term pressures of levy limits

- Smaller levy increase = More restricted General Fund
- Levy limits restricted local governments' planning flexibility



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

State Aid

- Certified increase of \$23.6 million over level received in 2010
- Local Government Aid (LGA) annual formula reductions of \$265,000 in 2012 & beyond
- City total LGA reduced \$6.2 million in 2012 related to TIF decertification



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

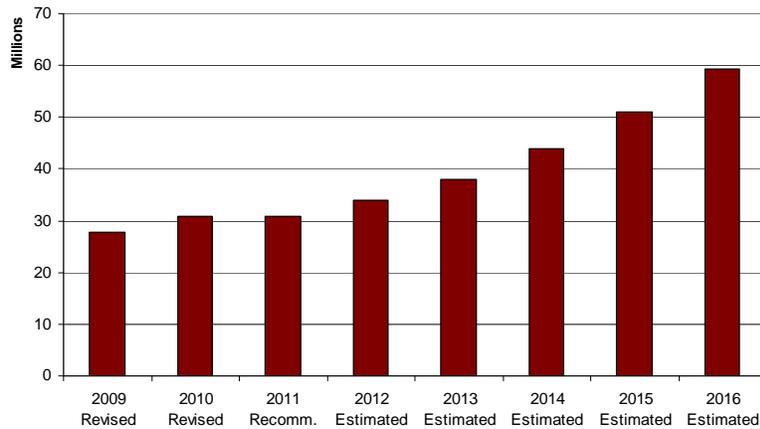
Compensation

- Salary assumptions:
 - 1.5% in 2011
 - 2.0% in 2012 and 2013
 - 2.5% in 2014-2016
- Health Benefits assumptions:
 - 0% in 2011
 - 10% in 2012
 - 12% in 2013
 - 16% in 2014-2016



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

Compensation – Health Insurance





2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

PERA Employer Contribution Rates

Year	Coordinated Rate	Police/Fire Rate	Annual Cost Inc.	Cumulative Increase
2005	5.53%	9.30%		
2006	6.00%	10.50%	\$2.2 m	\$2.2 m
2007	6.25%	11.70%	\$1.9 m	\$4.1 m
2008	6.50%	12.90%	\$1.9 m	\$6.0 m
2009	6.75%	14.10%	\$1.9 m	\$7.9 m
2010	7.00%	14.10%	\$1.1 m	\$9.0 m
2011	7.25%	14.40%	\$0.7 m	\$9.7 m



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

Contingency

Contingency limited in early years of plan:

2012	2013	2014	2015	2016
\$3.1M	\$4.1M	\$5.1M	\$6.7M	\$7.2M

Meets or exceeds City's financial policies
in all years



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

Other Considerations

- Mayor's 2011 Recommended Budget is basis for projections
- Reductions for departments only in base year
- One-time appropriations removed
- Mayor's recommendation resets distribution of departmental reductions



2012-2016 Recommended Five-Year Financial Direction
Major Assumptions

Use of increased entertainment tax

- Entertainment tax receipts slightly greater than expected
- Used for public safety activities related to Citywide entertainment events
 - Direction assumes receiving \$300,000 more in entertainment tax to fund General Fund
 - \$500,000 increase for Traffic Control beginning in 2012



2012-2016 Recommended Five-Year Financial Direction
Department Budgets

Future base increases

- **Police:** \$1.1 million ongoing to replace COPS grant (ends December 2012)
- **Internal Audit:** \$50,000 ongoing to contract auditors
- **City Clerk:** \$100,000 in 2012 for re-districting (one-time) and other adjustments as needed for election cycles



2012-2016 Recommended Five-Year Financial Direction

Other Considerations

- Property taxes – feasibility of future increases
- Enterprise funds – financial challenges
- Department reductions – demand for services as compared to resources





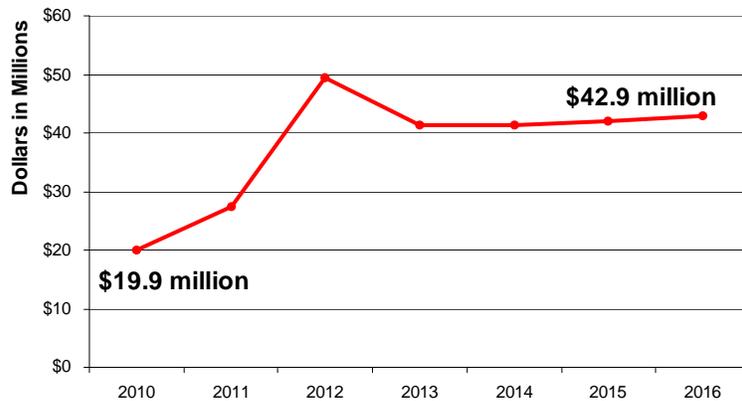
Other considerations (continued)

- City and Park Board: Capital pressures
- Wireless services – need to increase use in the future
- Pension obligations increase



Annual property tax support for pension obligations (in millions)

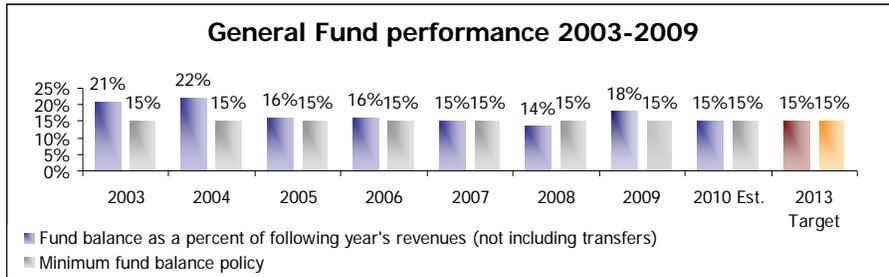
Closed Pension Fund Obligations





2012-2016 Recommended Five-Year Financial Direction
Major future pressures

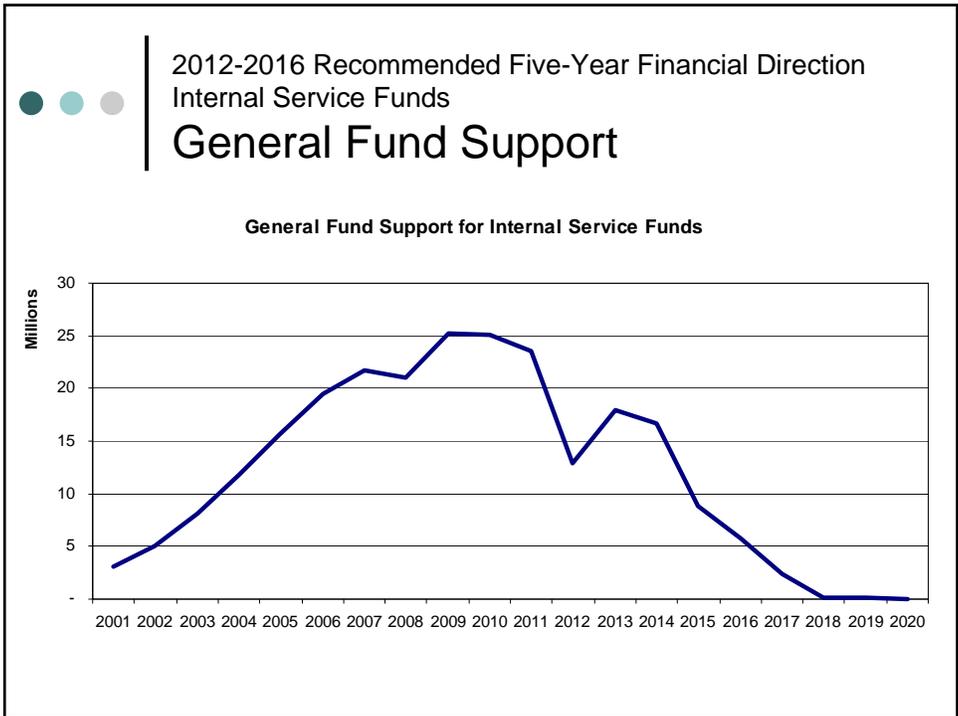
Ready for Some Good News?



2012-2016 Recommended Five-Year Financial Direction
Internal Service Funds

Improvement in internal service funds' financial position

- 2nd Quarter report:
 - Internal Service Funds tracking closely or exceeding long-term financial plans
- Progress
 - WAS **-\$32.2** million; NOW **+\$55.7** million
- Future resources in bond redemption levy



- 2012-2016 Recommended Five-Year Financial Direction
- ## Summary – Key Factors to Consider
- Cost Drivers
 - Pension obligations
 - Health care costs
 - Declining internal service fund support
 - Department reductions
 - Revenue Drivers
 - Taxpayer impact
 - LGA uncertainty
- 

Meetings on budget topics

September to October	Department presentations to Ways & Means/Budget Committee
October 15 th	Pensions (9:30am) Capital Budget (10:30am)
November 18 th	Public Comment on Levy and Budget (6:05pm)
December 7 th -8 th	Ways & Means/Budget Committee Budget Mark-up
December 13 th	Public Comment/Budget Adoption (6:05 pm)

Questions?

